UNITED STATES AND FOREIGN COMMERCIAL SERVICE

HEARING

BEFORE THE

SUBCOMMITTEE ON EXPORT OPPORTUNITIES AND SPECIAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

FIRST SESSION

WASHINGTON, DC, APRIL 3, 1985

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UNITED STATES AND FOREIGN COMMERCIAL SERVICE

WEDNESDAY, APRIL 3, 1985

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EXPORT OPPORTUNITIES AND
SPECIAL SMALL BUSINESS PROBLEMS,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:05 a.m., in room 2359-A, Rayburn House Office Building, Hon. Ike Skelton (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN SKELTON

Mr. SKELTON. I would like to welcome all of you to our hearing today, which will deal with an area which is fundamental to our survival as a power in the world's economy, namely, exports.

While it may be true that our exports are increasing as we come out of recession, it is also true that our competitors' exports to our open markets are increasing at a much faster rate.

The result has been an immense trade deficit which exceeded $100 billion last year and could be well above that this year. I believe that the trade deficit is an alarming problem second only to our current budget deficit in importance.

It is also true that our small businesses which could potentially export have been underutilized. This may be caused by a lack of proper information, lack of financing, unwillingness to take the risk without solid backing, or perhaps just the current high value of the dollar.

Whatever the reason, we need to find out what is holding our small businesses back and then do what we can to dismantle impediments and help our businessmen and women do what they do best—business.

My position in the past has been that the Government needs to work to uncomplicate the process of exporting as much as possible so that those businesses that could export are found, counseled, matched with potential customers, advised of foreign customs and business practices, and then helped if bureaucratic difficulty arises. A sort of "one stop shop," if you will.

Our first guest for today is Mr. Kenn George, who is the Director of the United States and Foreign Commercial Service of the International Trade Administration of the Department of Commerce, which is charged with implementing the trade objectives of the Nation.

I can think of no more important objective than using all of our businesses and resources to their full potential, and that, of course, includes our small businesses.

Three years ago, a survey of small businesses done by the U.S. Senate found that the biggest single impediment to small business exports is lack of information.

It is our hope that through offices like the United States and Foreign Commercial Service, and the International Office of the Small Business Administration, we are beginning to turn that problem around.

I recognize, at this time, the gentleman from Florida, Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman.

I have no comment, other than to compliment you on getting the subcommittee off to such a fast start in 1985. Trade, obviously, is a key to our future economic health, and small business can play a great role in the export area.

Mr. SKELTON. Thank you so much. With that, we will introduce and welcome Mr. Kenn George, the Director of the United States and Foreign Commercial Service, and we really appreciate your not just being here today, but the interest you've shown in the past, the establishment of the trade show which several of us were able to attend, and we are impressed with what we see. We would like to hear from you now.

TESTIMONY OF KENN S. GEORGE, DIRECTOR GENERAL, UNITED STATES AND FOREIGN COMMERCIAL SERVICE, DEPARTMENT OF COMMERCE

Mr. GEORGE. Thank you very much, Mr. Chairman.

I must start by saying that I agree with everything you've said. The United States and Foreign Commercial Service is a network of 47 district offices around the United States, located in 70 U.S. cities and in 66 countries around the world, representing——

Mr. SKELTON. For the record, would you be kind enough to supply those cities and addresses? We would certainly appreciate that.

Mr. GEORGE. Yes, sir. As a matter of fact, we have a brochure that lists every city that we're in, both foreign and domestic addresses, and a name to contact.

Mr. SKELTON. Without objection, we will ask that they be inserted in the record at this time.

[The information requested follows:]

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B.P. Box 549 (Alger-Gare)
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American Embassy
APO Miami 34028
Tel: 2255
SCO: Edward Kemp (In Bridgetown)

24. GUATEMALA

56. Guatemala City
American Embassy
7-01 Avenida de la Reforma
Zone 10
OR
APO Miami 34024
Tel. 011-502-2-31-15-41
SCO: Carlos A. Poza

25. HONDURAS

57. Tegucigalpa
American Embassy
Avenido La Paz
OR
APO Miami 34022
Tel. 011-504-32-3120 to 29
SCO: Xenia Wilkinson

26. HONG KONG

58. Hong Kong
American Consulate General
26 Garden Road
OR
Box 30, FPO San Francisco 96659
Tel. 011-852-5-239011
Telex: 63141 USDOC HX
SCO: Paul T. Walters

27. HUNGARY

59. Budapest
American Embassy
V. Szabadsag Ter 12
OR
Am Embassy, APO NY 09213 (BUD)
Tel. 126-450
Telex: 18048 224-222
SCO: Michael J. Hegedus

27. INDIA

60. New Delhi
American Embassy
Shanti Path, Chanakyapuri 110021
Tel. 600651
Telex: 031-4589 USCS IN
SCO: Ed Stumpf

61. Bombay
American Consulate General
Lincoln House
78 Bhulabhai Desai Road
Tel. 822611/8
Telex: 011-6525 ACON IN
COM: James A. Becker

62. Calcutta
American Consulate General
5/1 Ho Chi Minh Sarani
Calcutta 700071
Tel. 44-3611/6
Telex: 021-2483

63. Madras
American Consulate General
Mount Road. - 600006
Tel. 83041

29. INDONESIA

64. Jakarta
American Embassy
Medan Merdeka Selatan 5
OR
APO San Francisco 96356
Tel. 011-62-21-340001-9
Telex: 44218 AMEMB JKT
SCO: L. Richard Jackson

30. IRAQ

65. Baghdad
American Interests Section
c/o Belgian Embassy
Opp. For. Ministry Club
(Masbah Quarter)
OR
P.O. Box 2447 Alwiyah
Baghdad, Iraq
Tel. 011-964-1-719-6138
Telex: 212287 USINT IK
Workweek: Sunday - Thursday
SCO: Hampton E. Brown III

31. ISRAEL

66. Tel Aviv
American Embassy
71 Hayarkon Street
OR
APO New York 09672
Tel. 011-972-3-654338
Telex: 33376
SCO: Thomas J. Roesch

32. ITALY

67. Rome
American Embassy
Via Veneto 119/A
00187-Rome
OR
APO New York 09794
Tel. 011-39-6-4674
Telex: 610450 AMBRMA
SCO: J. Raymond DePaulo

68. Florence
American Consulate General
Lungarno Amerigo Vespucci 38
OR
APO New York 09019
Tel. 011-39-55-298-276
Telex: 570577 AMCOFI I

69. Genoa
American Consulate General
Banca d'America e d'Italia Bldg.
Piazza Portello 6
OR
Box G, APO New York 09794
Tel. 011-39-10-282-741
Telex: 270324 AMCOGE I

70. Milan
American Consulate General
Piazza Repubblica 32
20124 Milano
OR
c/o U.S. Embassy
Box M, APO New York 09794
Tel. 011-39-2-652-841/5
Commercial Section:
Via Gattamelata 5
20149 Milano
Tel. 011-39-2-498-2241/2/3
COM: (Vacant)

71. Naples
American Consulate General
Piazza della Repubblica
80122 Naples
OR
Box 18, FPO New York 09521
Tel. 011-39-81-660966
Telex: 720442 ICANA

72. Palermo
American Consulate General
Via Vaccarini 1
Palermo 90143
OR
APO New York 09794
(c/o AmEmbassy Rome-P)
Tel. 011-39-91-291532/5
Telex: 910313 USACON I

33. IVORY COAST

73. Abidjan
American Embassy
5 Rue Jesse Owens
OR
01 B.P. 1712
Tel. 011-225-32-09-79
Telex: 3660
SCO: Frederic J. Gaynor

34. JAMAICA

74. Kingston
American Embassy
Jamaica Mutual Life Center
2 Oxford Road, 3d Floor
Tel. 809-92-94850
SCO: John Bodson

35. JAPAN

75. Tokyo
American Embassy
10-1, Akasaka 1-chome
Minato-ku (107)
OR
APO San Francisco 96503
Tel. 011-81-3-583-7141
Telex: 2422118
SCO: William V. Rapp

76. Fukuoka
American Consulate
5-26 Ohori 2-chome
Chuo-ku, Fukuoka-810
OR
Box 10, FPO Seattle 98766
Tel. 011-81-92-751-9331/4
Telex: 725679

77. Osaka-Kobe
American Consulate General
9th Fl., Sankei Bldg.
4-9 Umeda 2-chome
Kita-ku, Osaka (530)
OR
APO San Francisco 96503
Tel. 011-81-06-341-2754/7
Telex: 5623023 AMCON J
COM: Keith R. Bovetti

78. Sapporo
American Consulate
Kita 1-Jyo Nishi 28-chome
Chuoku, Sapporo 064
OR
APO San Francisco 96503
Tel. 011-81-11-641-1115/7
Telex: 935338 AMCONS J

36. KENYA

79. Nairobi
American Embassy
Moi/Haile Selassie Ave.
OR
P.O. Box 30137
OR
APO New York 09675
Tel. 011-254-2-334141
Telex: 22964
SCO: James Wilson

37. KOREA

80. Seoul
American Embassy
82 Sejong-Ro
Chongro-ku
OR
APO San Francisco 96301
Tel. 011-82-2-732-2601/18
Telex: 23108 AMEMB
SCO: George Griffin

38. KUWAIT

81. Kuwait
American Embassy
P.O. Box 77 SAFAT
Tel. 011-965-424-151/9
Workweek: Saturday-Wednesday
SCO: Wanda L. Ale

39. MALAYSIA

82. Kuala Lumpur
American Embassy
376 Jalan Tun Razak
OR
P.O. Box 10035
Kuala Lumpur 01-02
Tel. 011-60-3-489011
Telex: 32956 FCSKL MA
SCO: Theodore J. Villinski

40. MEXICO

83. Mexico City
American Embassy
Paseo de la Reforma 305
Mexico 5, D.F.
Tel. 905-211-0042
Telex: 017-73-091
SCO: Calvin C. Berlin

84. Guadalajara
American Consulate General
Jal., Progreso 175
Tel. 011-52-36-25-29-98
Telex: 068-2-860
COM: Judith A. Henderson

85. Monterrey
American Consulate General
N.L., Avenida Constitucion
411 Poniente
Tel. 011-52-83-4306-50/9
Telex: 0382853
COM: (Vacant)

41. MOROCCO

86. Casablanca
American Consulate General
8 Blvd Moulay Youssef
OR
APO New York 09284 (CAS)
Tel. 011-212-22-41-19
SCO: Benjamin N. Brown, Jr.

87. Rabat
American Embassy
2 Ave de Marrakech
OR
P.O. Box 120
OR
APO New York 09284
Tel. 011-212-7-622-65
Telex: 31005

42. NETHERLANDS

88. The Hague
American Embassy
Lange Voorhout 102
OR
APO New York 09159
Tel. 011-70-62-49-11
Telex: 44-31016
SCO: Stanley P. Harris

89. Amsterdam
American Consulate General
Museumplein 19
OR
APO New York 09159
Tel. 011-31-20-790321
Telex: 044-16176 CGUSA NL
COM: George Ruffner

90. Rotterdam
American Consulate General
Baan 50
OR
APO New York 09159
Tel. 011-31-10-117560
Telex: 044-22388
COM: Stephen Helgesen

43. NEW ZEALAND

91. Wellington
American Embassy
29 Fitzherbert Ter.,
Thorndon
OR
FPO San Francisco 96690
Tel. 011-64-4-722-068
Telex: NZ 3305
SCO: Geoffrey Walser

92. Auckland
American Consulate General
4th Floor
Yorkshire General Bldg.
Shortland and O'Connell Sts.
OR
FPO San Francisco 96690
Tel. 011-64-9-32-724
Telex: NZ 3305

44. NIGERIA
93. Lagos
American Embassy
2 Eleke Crescent
OR
P.O. Box 554
Tel. 011-234-1-610097
Telex: 21670 USEMLA NG
SCO: James A. Moorhouse

94. Kaduna
American Consulate
2 Maska Road
P.O. Box 170
Tel. 011-234-62-213043
COM: Harry V. Ryder, Jr.

45. NORWAY
95. Oslo
American Embassy
Drammensveien 18
Oslo 2
OR
APO New York 09085
Tel. 011-47-2-44-85-50
Telex: 18470
SCO: George A. Kachmar

46. PAKISTAN
96. Karachi
American Consulate General
8 Abdullah Haroon Rd.
Tel. 011-92-91-515081
Telex: 82-02-611
Workweek: Sunday-Thursday
SCO: James E. Winkelman

97. Lahore
American Consulate General
50 Zafar Ali Road
Gulberg 5
Tel. 011-92-870221/5
Workweek: Sunday - Thursday

47. PANAMA
98. Panama
American Embassy
Avenida Balboa Y Calle 38
Apartado 6959, R.P. 5
OR
Box E, APO Miami 34002
Tel. 011-507-27-1777
SCO: F. Miguel Pardo de Zela

48. PERU
99. Lima
American Embassy
Corner Avenidas Inca Garcilaso de
la Vega & Espana
OR
P.O. Box 1995, Lima 100
OR
APO Miami 34031
Tel. 011-51-14-286000
Telex: 25028PE USCOMATT
SCO: Kenneth Moorfield

49. PHILIPPINES
100. Manila
American Embassy
Commercial Office:
395 Buendia Ave. Extension
Makati
OR
APO San Francisco 96528
Tel. 011-63-2-818-6674
Telex: 66887 COSEC PN
SCO: Lawrence Eisenberg

50. POLAND
101. Warsaw
American Embassy
Aleje Ujazdowskie 29/31
OR
AmEmbassy Warsaw
c/o AmConGen (WAW)
APO New York 09213
Tel. 283041/9
Telex: 813304 AMEMB PL
SCO: Dolores Harrod

51. PORTUGAL
102. Lisbon
American Embassy
Avenida das Forcas Armadas
1600 Lisbon
OR
APO New York 09678
Tel. 011-351-19-72-5600
Telex: 12528 AMEMB
SCO: Ralph D. Griffin II

48-518 O—85——2

103.Oporto
American Consulate
Apartado No. 88
Rua Julio Dinis 826-30
Tel. 011-351-29-6-3094/6

52. ROMANIA
104.Bucharest
American Embassy
Strada Tudor Arghezi 7-9
OR
AmConGen (Buch)
APO New York 09213 (BUH)
Tel. 011-40-0-12-40-40
Telex: 11416
SCO: E. Scott Bozek

53. SAUDI ARABIA
105.Riyadh
American Embassy
Sulaimaniah District
P.O. Box 9041
OR
APO New York 09038
Tel. 011-966-1-464-0012
Telex: 201363 USRIAD SJ
SCO: John R. Thomson
Workweek: Saturday-Wednesday

106.Dhahran
American Consulate General
Between Aramco Hqrs and
Dhahran International Airport
OR
P.O. Box 81
Dhahran Airport
OR
APO New York 09616
Tel. 011-966-3-8913200
Telex: 601925 AMCON SJ
COM: Edward Ruse

107.Jeddah
American Consulate General
Palestine Road, Ruwais
OR
P.O. Box 149
OR
APO New York 09697
Tel. 011-966-2-6670040
Telex: 401459 AMEMB SJ
COM: Russell Y. Smith

54. SINGAPORE
108.Singapore
American Embassy
30 Hill Street
Singapore 0617
OR
APO San Francisco 96699
Tel. 011-65-338-0251
SCO: Robert Marro

55. SOUTH AFRICA
109.Johannesburg
American Consulate General
11th Fl., Kine Center
Commissioner and Kruis Sts.
OR
P.O. Box 2155
Tel. 011-27-11-331-1681
Telex: 8-3780
SCO: Stanley M. McGeehan, Jr.

110.Cape Town
American Consulate General
Broadway Industries Center
Heerengracht, Foreshore
Tel. 011-27-21-214-280
Telex: 557-22387 SA

56. SPAIN
111.Madrid
American Embassy
Serrano 75
OR
APO New York 09285
Tel. 011-34-1-276-3400
Telex: 27763
SCO: John D. Perkins

112.Barcelona
American Consulate General
Via Layetana 33
OR
Box 5, APO New York 09285
Tel. 011-34-3-319-9550
Telex: 52672
COM: Kevin C. Brennan

57. SWEDEN
113.Stockholm
American Embassy
Strandvagen 101
Tel. 011-46-8-63-05-20
Telex: 12060 AMEMB S
SCO: William J. Lynch

58. SWITZERLAND
114.Bern
American Embassy
Jubilaeumstrasse 93
3005 Bern
Tel. 011-41-31-437011
Telex: (845)32128
SCO: James N. May

115.Zurich
American Consulate General
Zolliikerstrasse 141
8008 Zurich
Tel. 011-41-1-552566
Telex: 0045-53893

59. THAILAND
116.Bangkok
American Embassy
Commercial Office:
"R" Fl., Kian Gwan Bldg.
140 Wireless Road
Tel. 011-66-2-251-9260
SCO: Robert C. Bodden

60. TRINIDAD & TOBAGO
117.Port-of-Spain
American Embassy
15 Queen's Park West
OR
P.O. Box 752
Tel. 62-26371
Telex: 22230 AMEB POS
SCO: Ed Kemp (In Bridgetown)

61. TURKEY
118.Ankara
American Embassy
110 Ataturk Blvd
OR
APO New York 09254
Tel. 011-90-711-26-54-70
Telex: 43144 USIA TR
SCO: George W. Knowles

119.Istanbul
American Consulate General
104-108 Mesrutlyet Caddesi
Tepebasl
OR
APO New York 09380
Tel. 011-90-11-1436200/09
Telex: 24306 USIC TR
SCO: Dan A. Wilson

62. UNITED ARAB EMIRATES
120.Abu Dhabi
American Embassy
Commercial Section:
United Bank Building
Flat No. 702
Tel. 011-971-2-345545
Telex: 22229 AMEMBY EM
Workweek: Saturday-Wednesday
SCO: Charles W. Buck (Acting)

121.Dubai
American Embassy Branch Office
Dubai International Trade Center
P.O. Box 9343
Tel. 011-971-4-47115
Telex: 98346031 BACCUS EN
Workweek: Saturday - Wednesday
COM: Charles B. Kestenbaum

63. UNITED KINGDOM
122.London
American Embassy
24-31 Grosvenor Sq.
W 1A 1AE
OR
Box 40, FPO New York 09510
Tel. 011-44-1-499-9000
Telex: 266777
SCO: Gerald M. Marks

64. U.S.S.R.
123.Moscow
American Embassy
Ulitsa Chaykovskogo 19/21/23
OR
APO New York 09862
Tel. 011-7-96-252-24-51/9
Telex: 413160 USGSO SU
SCO: Robert Krause

65. VENEZUELA
124.Caracas
American Embassy
Avenida Francisco de Miranda y
Avenida Principal de la Floresta
P.O. Box 62291
Caracas 1060-A
OR
APO Miami 34037
Tel. 011-58-2-284-7111
Telex: 25501 AMEMB VE
SCO: David C. Lacey, Jr.

66. YUGOSLAVIA
125.Belgrade
American Embassy
Kneza Milosa 50
OR
AMCONGEN (BEG)
APO New York 09213
Tel: 011-38-11-645-655
Telex: 11529 AMEMBA YU
SCO: Kurt F. Gross

126.Zagreb
American Consulate General
Brace Kavurica 2
OR
AMCONGEN (ZGB)
APO New York 09213
Tel. 011-38-41-444-800
Telex: 21180 YU AMCON

Mr. GEORGE. Thank you. As I was saying, in 66 countries around the world, and 126 foreign cities, that represents a marketplace of over 95 percent of U.S. nonagricultural goods and services.

The importance of this committee being concerned about small- and medium-size business is accentuated by the fact that we realize today, looking at the U.S. trade posture, that 1 percent of U.S. corporations account for over 80 percent of U.S. exports.

And if we are going to increase the competitiveness of the United States in international trade, then it is mandatory—I would say that it is a national objective—that we reach out to small- and medium-size business and educate them into the difficulties and the opportunities of international trade, and that specifically is the mandate and the mission that Congress gave the United States and Foreign Commercial Service when we were created 5 years ago this week by you all in the U.S. Congress.

I have brought today some graphics, to give you a little bit of a better understanding as to the role of the United States and Foreign Commercial Service, and how we are reaching out to small- and medium-size business in the United States, and trying to get them involved in international trade.

Just as a point of reference, the U.S. Department——

Mr. SKELTON. May I interrupt you at this point. I notice you have a prepared written statement. Without objection, I will ask that that be included in the record, and that your summary which you are kind enough to do now, be taken, in addition to the prepared statement.

Mr. GEORGE. Thank you.

[Mr. George's prepared statement follows:]

PREPARED STATEMENT OF KENN S. GEORGE, DIRECTOR GENERAL, UNITED STATES AND FOREIGN COMMERCIAL SERVICE, DEPARTMENT OF COMMERCE

Mr. Chairman, my name is Kenn S. George. I am Director General of the U.S. and Foreign Commercial Service (US&FCS), International Trade Administration (ITA), Department of Commerce.

I appreciate this opportunity to testify before the Subcommittee on Export Opportunities and Special Small Business Problems and to describe the activities and services of the US&FCS. While we work with many of the larger companies, our main area of interest is small and medium-sized firms that cannot afford direct representation and marketing overseas.

We are a customer driven service company conscious of the needs of the American business community.

The US&FCS is better organized and equipped today than at any other time We strive to keep business and the public informed of the international trade situation.

It will take a concerted and determined effort at all levels of government to convert the nation to what I call "The Export Mentality," which will launch the U.S. into the global market.

The US&FCS help American business make sales. More sales mean increased plant capacity, greater production and profits. All this results in more jobs for Americans and makes the United States more competitive in the global economy.

We are the only U.S. government entity involved in international trade with a global outreach capability.

The US&FCS services 47 U.S. offices in 70 cities are linked to 126 overseas posts in 66 countries. These countries represent over 95 percent of the total world marketplace for U.S. goods and services.

The US&FCS is increasing the number of new-to-export firms, developing the number of firms already established in new markets, increasing the number of old-to-market firms and providing small- and medium-sized business, capable of exporting, with the commercial information and counseling necessary develop their export marketing programs.

Through the US&FCS, a U.S. firm has direct access to more than 95 percent of the global marketplace for goods and services. This can be of enormous advantage for American business, particularly small- and medium-sized business lacking national and overseas representation, in dealing with foreign governments to resolve market access issues and to develop major projects.

During 1984, the US&FCS assisted 1,100 firms exporting for the first time and provided business with 160,000 counseling sessions—92 percent of these clients represented small- and medium-sized firms. 210,000 trade leads were generated from US&FCS promotional events, and 265,000 attended US&FCS conferences and seminars, of which more than 80 percent represented companies with 250 employees or less.

A. DISTRICT OFFICE PROGRAMS (DOMESTIC OPERATIONS)

Counseling.—The most important service that the US&FCS provides is direct and professional counseling on international trade. Through its domestic field network, the District Offices provide international marketing assistance to prospective and active exporters, allowing them to sustain a sales and marketing presence on a worldwide basis, resulting in a positive impact on employment and productivity. District Office trade specialists act as counselors analyzing a firm's objectives and export potential. They evaluate country and market demand, explain documentation, shipping, sales and distribution techniques, as well as provide more generalized marketing information and assistance.

Outreach.—In addition to individual counseling efforts, District Office personnel conduct seminars, conferences and workshops. In order to multiply the effects of their efforts, nearly 1,000 associate offices such as chambers of commerce provide counseling services under the guidance of local District Offices.

Many District Offices train state and local government officials in counseling techniques to assist the business community.

During the last fiscal year, the District Offices provided assistance to dozens of state-sponsored trade missions, and co-sponsored 990 events with state and local governments. The District Offices also contributed to state surveys and state agreements, and spent an aggregate of 22,000 hours with state and local government officials.

District Export Councils (DECs).—To counsel and assist exporters on all aspects of selling overseas, the District Offices have organized 51 DEC's throughout the Nation. These 1700 DEC members provide additional free counseling and other assistance to potential exporters. They also have regional and national meetings, as the DECs are a powerful tool in developing the proper partnership among the Federal Government and local governments and other public and private entities.

Export Finance and the State Assistance for Export (SAFE) Program.—In supporting small- and medium-sized business, the District Offices have been assisting the Export-Import Bank of the U.S. (Eximbank) in developing new and localized export financing programs by co-sponsoring seminars, training sessions and other outreach efforts. This past October, the Eximbank initiated a test-marketing program in Michigan, Minnesota, Wisconsin, and Illinois for its Working Capital Loan Guarantee and Foreign Credit Insurance Association "Umbrella" Programs.

So far, we are encouraged by the success of this new test marketing effort. We have welcomed the responsibility of representing the Export-Import Bank at the local level. We have provided specialized training for sixty-six trade specialists in export finance since I have been Director General, and on this base we are developing an expertise which could be utilized to represent other agencies of government in their outreach efforts.

As a further illustration, the State Agenda for Exporting, the SAFE Program, is a unique US&FCS effort to assist and counsel states interested in creating new export promotion programs for small- and medium-sized business. The US&FCS has assisted states seeking to establish their own export councils and export financing facilities. Eleven states have already established such councils, and 15 have passed legislation designed to create state finance mechanisms.

B. FOREIGN OPERATIONS

Commercial section activities.—The commercial sections of U.S. diplomatic missions perform a number of activities which are directed at benefiting the trade position of the United States and enhancing the export potential of small business. Among these are: identifying trade opportunities for U.S. products; finding potential representatives or agents of U.S. firms interested in penetrating a specific market; providing business consultation to U.S. business to resolve market access on invest-

ment problems and support bids on major projects; reporting business opportunities which have resulted from the Multilateral Trade Negotiations (MTN) agreements; and assisting in the implementation of export control and other trade regulation activities.

Officers abroad utilize a wide variety of information and techniques available from government and the private sector in order to assist U.S. firms. Officers are responsible for reporting on major projects in their host countries in order to alert U.S. firms to these opportunities. Officers also support the programs of the Overseas Private Investment Corporation, Eximbank, U.S. Trade Representative, the U.S. Travel and Tourism Administration, the Trade Development Program, NOAA Fisheries, and other U.S. Government agencies engaged in conducting commercial relations with foreign countries. Officers are instructed to monitor MTN implementation by reporting on foreign government legislative and regulatory measures, procurement practices, and bidding and certifying procedures which may affect U.S. trade in the host country. They work to settle trade disputes, and provide analyses and reports on local industry and commodity developments which have a bearing on the U.S. competitive position in the host country as well as an assessment of other countries capabilities with which the U.S. competes for markets.

Foreign Operations' offices abroad maintain commercial libraries as reference sources for information on U.S. suppliers of specific products and services. These are especially useful to foreign traders who seek sources of U.S. goods. Officers prepare World Trader Data Reports on foreign firms, upon request from a U.S. exporter, in order to provide background and financial information on the foreign firms with which an American company wishes to do business. Newsletters are published and disseminated to interested foreign traders. These commercial newsletters identify new U.S. products and sources of American-made products being introduced to the export market. Officers and staff also provide on-site support to specific export promotion programs of the Department of Commerce, specifically trade missions and trade fairs in which U.S. exporters participate. They also organize in-country trade-promotion events to support sales by U.S. companies already in the marketplace. Market research is also undertaken abroad to determine the potential market for goods to be exhibited through specific trade promotion events.

FCS support for the IBOC.—The FCS also plays an essential role in recruiting participants for the International Business Opportunities Conference (IBOC), events jointly sponsored by the National Governors' Association and the Federation of International American Clubs. Intended for small- to medium-sized manufacturers, the IBOC brought together 211 foreign and American firms in Washington May 28–June 1, 1984, to discuss investment, joint-venture, licensing and technology-transfer opportunities.

From October 1983, the US&FCS was instrumental, both overseas and domestically, in advertising, targeting potential participants through major multipliers and by direct, repeated contact, and coordinating registrations regionally, to ensure the success of this first-time event. The sponsors have been pleased to acknowledge the indispensable assistance they received from the US&FCS in the months leading to the event and at the time of conference itself.

EXPORT PROMOTION SERVICES

Serving both the Domestic and Foreign Operations, Export Promotion Services (EPS) develops and markets products and services to help U.S. firms, particularly small- and medium-sized companies, promote the sale of their goods and services overseas. It represents the consolidation in 1984 of ITA's overseas trade promotion events and information products under the US&FCS. This has ensured better coordination of such competing policy objectives as maximizing user fees and supporting trade expansion, a more direct line of authority and responsibility for operation of trade events, and a better link between information product development and distribution.

EPS plans and conducts overseas trade promotion activities in conjunction with overseas Export Development Offices (EDOs) which have regional trade coordination responsibilities, and foreign posts of the US&FCS. These activities include trade and seminar missions, Industry-Organized/Government-Approved (IOGA) missions, catalog exhibitions, US-sponsored exhibitions, and U.S. pavillions at major international trade fairs.

In its trade promotion events, EPS focuses on export markets with high long-term export potential, particularly emerging markets in Third World nations. This emphasis ensures that U.S. firms are provided with a vehicle for establishing an early market presence in areas where private sector promotional assistance is limited.

Trade promotion events in industrialized nations are increasingly being turned over to private sector organizers as EPS encourages greater private sector participation in overseas and domestic trade shows through its Trade Fair Certification Program. Private sector trade show organizers qualifying for certification by EPS agree to provide participants with a high level of support services such as overseas promotion, translation, exhibition design, business facilities, and shipping and customs assistance. Shows are also promoted through the network of US&FCS and State Department posts overseas, and US&FCS District Offices throughout the United States. In addition to granting certification applications, EPS assists organizers in their marketing efforts and, at the discretion of the private organizer, coordinates arrangements for other promotion/counseling services on a full cost recovery basis.

EPS also manages export marketing information programs, services and systems in direct support of ITA's trade development mission. In an attempt to broaden exposure of the private sector to trade information, there has been a concerted effort on the part of EPS to make our data bases (e.g., TOP and contact list date tapes) available to private vendors, on a cost recovery basis, so that they, in turn, can promote and distribute information to their outlets. Products are continuously examined to maximize opportunities to serve user needs.

The Export Contact/Trade List Service identified foreign firms which can assist U.S. exporters to enter specific markets. These lists are drawn from a larger computerized file of foreign firms and include a detailed description of experience, size and product interest. These files are also sold to private sector vendors to market the service more widely and are available to states and local governments.

The Agent/Distributor Service (ADS) and World Trader Data Report (WTDR) services identify overseas agents or distributors for products or make available commercial information on foreign traders. Both services are marketed to U.S. business, and state and local government through US&FCS district offices. Requests are satisfied by foreign commercial officers who seek out appropriate representatives and compile necessary background information.

The Trade Opportunities Program (TOP) provides U.S. exporters with timely notification of foreign buyer/agent interest in purchasing or representing specific U.S. products and services. Foreign posts report more than 13,000 direct sales or representation leads and bid invitations annually. EPS disseminates potential opportunities to U.S. exporters through a computer match-and-delivery system (TOP Notice service) and through a printed weekly "Bulletin" which lists all leads. TOP tapes are sold to private vendors. State and local government development offices and other organizations also buy these tapes and provide secondary lead distribution to potential U.S. exporters.

A variety of market research and statistical reports with information on foreign market opportunities and conditions are also produced to assist U.S. firms in penetrating specific country markets. The selection of country-industry research topics is developed through the comprehensive targeting process. The method combines economic indicators, overseas posts' recommendations, private sector inputs, trade show scheduling and policy-related export objectives to rank best areas for research. These research reports have a wide distribution through the subscription service, US&FCS District Offices and other multiplier groups.

EPS also builds foreign purchasers' awareness of U.S. products, and stimulated new-to-export and new-to-market American (NTE/NTM) firms to market their goods overseas through the Commercial New USA/New Product Information Service (CNUSA/NPIS) which publishes information on new U.S. products. US&FCS foreign posts' commercial newsletters reprint this information worldwide. More than 200,000 potential foreign buyers, agents and distributors receive this information. EPS also prepares awareness and other seminar kit materials for distribution directly to the business community through the US&FCS field work.

Constantly striving to improve the quality and timeliness of trade promotion programs, EPS manages the office automation system for US&FCS domestic offices and foreign posts. This system supports the various US&FCS commercial information gathering, processing and dissemination functions. The system simplifies the preparation of information for distribution to private sector vendors and other multipliers and substantially improves the timeliness and quality of marketing services provided to domestic business and overseas clients.

In 1984, the information function of the US&FCS Headquarters (Washington), District Offices and overseas posts was fully integrated through the installation of a capability to transmit electronically foreign and domestic trade information requests, and information gathered in response to these requests. This integration simplifies the transfer of data among District Offices, overseas posts and ITA headquarters. Recognizing the need to manage information resources regardless of the

medium, EPA administers the Commercial Library Program in District Offices and overseas.

Finally, EPS manages the publication of the Commerce Business Daily to advise firms of government procurement opportunities, contract awards, government surplus property sales, foreign government tenders, major construction projects and foreign government procurements.

CONCLUSION

In conclusion, Mr. Chairman, the US&FCS considers itself to be the home for small- and medium-sized business when it comes to exporting and international trade. Our programs are aimed directly at this clientele, and we are the only Federal agency with both the mandate to promote exports and the domestic and foreign field forces to carry out that mandate. In short, we are a global network of trade professionals working to ensure the success of American business in the international marketplace. Our attitude is let's get the job done and that's exactly what we are doing. I will be happy to answer any questions you may have, Mr. Chairman, and thank you for inviting me to testify.

Mr. GEORGE. By way of reference, the U.S. Department of Commerce, which is made up of NOAA, the Census, the Bureau of Economics and other areas, International Trade Administration is one part of the Department of Commerce.

In the International Trade Association headed by Under Secretary Lionel Ullmer, we have broken up into basically four major operating entities. One, on the upper left-hand corner, the International Economic Policy, probably the quickest analogy would be, say, like the State Department's country desk. We have the Mexico desk, Japan desk, China, et cetera, a geographic distribution of the world.

In the lower left-hand corner, trade development, which has been recently reorganized within the ITA, and it is now the industry desk. We have seven deputy assistant secretaries in their department, which are broken up as an aerospace, consumer goods, textiles, et cetera—industry-specific information.

The upper right-hand corner is Trade Administration, which specifically deals with the regulatory aspects of international trade—antidumping law, the import restrictions, the export licensing, the countervailing duties, et cetera. And then, lastly, in the lower right-hand corner, the United States and Foreign Commercial Service. They are part of the International Trade Administration which I head and which we are going to discuss today.

Basically, the United States and Foreign Commercial Service is the delivery arm of the U.S. Government when it comes to export promotion.

The mission of the United States and Foreign Commercial Service, basically speaking, is an emphasis on small- and medium-size firms, but the most important thing is to help American business increase the base number of exporters in the United States, increase U.S. competitiveness in international trade.

As you can see from this graphic, the United States and Foreign Commercial Service is the only—and I repeat that—the only U.S. Government agency that has a complete domestic field force, 47 offices, 70 U.S. cities, and a complete foreign field force—66 countries, 124 foreign cities in the marketplace representing over 95 percent of all U.S. nonagricultural goods and services.

In international trade, in a nonmilitary sense, we are the only U.S. Government agency that has that complete global network of

trade professionals. SBA is only located in the United States and only has 17 people involved in international trade.

AID is located only in the developing countries. No offices in the industrialized countries of Europe, Canada, or Japan, and no offices in the United States at all, other than here in Washington. OPIC, Exim, no field forces whatsoever.

So, if you are going to reach out and help small business in the United States, the United States and Foreign Commercial Service is the only U.S. Government agency at the grass roots of American business and in the marketplace, for their goods and services. We are the delivery arm for the U.S. Government in international trade.

Now, how are we divided? Basically, we have three operational divisions—four operational divisions within the United States and Foreign Commercial Service. The domestic field operations, as I said earlier, are in 47 district offices, in 70 U.S. cities. We've broken the country managerially into nine geographic regions.

This is the Phoenix office, showing our commercial library and research opportunities, in the lower right-hand corner. We also try to encourage and increase the awareness level of the American business community, as to the importance of exporting. Needless to say, we believe that the President of the United States has the opportunity to get the word out faster than anybody else, and the Presidential E Award—Excellence in Exporting—is given every year across the Nation, either by the President during World Trade Week, which will be coming up, or by the Secretary of Commerce or, in many instances, it is given out by Congressmen in their local districts.

This is a recognition to American business that there are people in Washington who are interested in increasing the export mentality of the U.S. business community.

On the foreign side, the delivery side of the operation, we have basically broken our operation up into four major geographic areas. Europe—when I came to the Department of Commerce in 1981, 40 percent of our assets were in Western Europe; 10 percent of our assets were in West Germany alone. We had more people, employees, in West Germany than we had in the entire Middle East. We had twice as many employees in West Germany as we had in Japan. And, obviously, we do more trade with Japan and we have infinitely greater trade problems. I felt that this was an inappropriate allocation of resources.

In the process, we have now expanded our operations—reduced our operations in Europe, and expanded our operations in Africa, especially in the Middle East, and in Asia.

When I first came to the Department of Commerce in 1981, we had no operations in China, for example. China is obviously an increasingly important trading partner of the United States, and one in which we are trying to get in on the ground floor.

Today, we have operations in Beijing, Shanghai, Guangzhou, and we've just recently opened up a new office in Shenyang.

If American business is interested in penetrating the large and growing China market, the United States and Foreign Commercial Service is there to help.

Obviously, we have significant trade problems with Latin America today, primarily due to the debt and economic problems that that part of the world is suffering.

We have reduced some of our operations in countries—for example, like Uruguay, Bolivia—because of the belief that we have to concentrate our resources in the markets that have the greatest potential help for the American business community.

It is a philosophical decision that has to be made. Do you want to be something for everybody in every country of the world, or where you decide to take a stand, you do the best possible job available?

I have chosen quality over quantity and reduced the number of countries that we are involved in, and tried to increase our capabilities in the countries where we do take a stand.

What we have done is, we provide the American business man and woman the opportunity when they leave Miami, when they leave Illinois and they show up in Dusseldorf, there is a professional at both ends of the trade pipeline—at the home manufacturing source, the U.S. business community and in the marketplace, like this office that we have in Dusseldorf.

The next area that I'd like to talk about is the new division of the United States and Foreign Commercial Service, which we call "Export Promotion Services." For those of us who have been in business, there is no pun on EPS, but basically the EPS division is the products that we give to the American business community—trade information, trade promotion, and trade events.

The Export Promotion Service finds foreign markets and trading partners for U.S. businesses. How do we do this? Export development offices, international business centers, business information offices, business-sponsored promotions, market research data, trade opportunities program where we find opportunities in any of our countries around the world, telex that back to the United States—"You can subscribe to this service by SIC code number."

If we find an opportunity in Riyadh for left-handed widgets, we send that information by telex back to the United States, you subscribe by SIC code number, and as soon as the Department of Commerce is aware of it, you become aware of it because we send that directly to you.

Not only do we do that, today we find States subscribing to the entire list of our TOP's Program and disseminating that information among the States' manufacturers that they keep in their files.

Mr. SKELTON. Let me interrupt right there. You say States do this. Which—is it usually Department of Commerce type organization within the State government, or who in the States? Chambers of commerce?

Mr. GEORGE. Take, for example, Florida or Georgia, which happen to be very active in this program. More States today are developing export development offices within the Governor's office——

Mr. SKELTON. Within the Government.

Mr. GEORGE [continuing]. Within the Governor's office than ever before. Quite frankly, 7 years ago, a Governor taking a trip overseas was perceived as a boondoggle. The train is coming down the track.

We find more and more Governors today becoming aware of the fact that there is an active role for States to play in supporting not the traditional reverse investment, but export promotion, helping their manufacturers and service companies improve the marketing capability of their products in the international marketplace.

This is a trend that we not only see, but the United States and Foreign Commercial Service is actively supporting, helping States, educating their people.

We just had a meeting—the conference that you referenced, not only did we have 1 day of that export adventure here on the Hill with freshman Congressmen, but we had a second day where we invited all 50 States to send a representative of their export development office to Washington, and spent 2 days working with them on what the United States and Foreign Commercial Service and the U.S. Government, across the board, could do to help their States increase their exports.

Export mailing list service, agents, and distributors. I'd like to take just a second to describe this one because I think it hits home how the U.S. Government can help small- and medium-size business.

You manufacture widgets and you live in Peoria, IL. You've decided that you want to try to increase your sales to Indonesia because you have been supplying an unsolicited offer that you picked up, you really don't know how, but all of a sudden you are getting an opportunity to make sales in Indonesia. You need to expand your sales. You think, "How do I increase my opportunities in Indonesia?" You come to the district office in Illinois. You say, "Here is my catalog. I want to find somebody to represent me in the Indonesian marketplace." And let's face it, if you're small and medium size business, you can't afford to jump on a plane and fly to Indonesia and try to find somebody that will be your agent and distributor. That's very expensive. It's inefficient.

But what you can do is give us your catalog. We'll send that catalog to Indonesia. Our office in Jakarta will show that around the Indonesian business community, and we will give you a list of up to six companies that have seen your catalog, are in that industry, and have expressed a willingness to represent you in that marketplace. We charge you $90 for that service. You can't call Indonesia for $90, much less find six companies that have seen your catalog and expressed a willingness to represent you in that marketplace. And for small- and medium-size business getting into international trade, the normal first step is to find an agent or distributor to represent them in that marketplace.

For $90, we've increased your effectiveness. Now it's the role of the private sector to get out there, to telex, to cable, to call, to write and to find out whether these six companies really have the potential of making a deal.

Let's say that three of them are no good and three of them are excellent leads. Now you get on the plane, you fly to Jakarta. You've told the district office in Des Moines that you're going to go. They've telexed our office in Jakarta your arrival time. They are expecting you. Appointments have been made with the appropriate ministries if that's necessary. You drop by the embassy when you arrive in Jakarta, for a full country briefing.

In other words, you have a higher probability of making a sale, as when you invested that money to make a trip to Indonesia. And if you are in small- and medium-size business—before I came to the U.S. Government in 1981, I was the president of a small company with about 300 employees. I think I have an understanding of the problems that face the small and medium size business in the international marketplace, and the fear of wasting $10,000 to go to Indonesia keeps a lot of people out of international trade. It's basically that simple.

They don't have the luxury of ITT, and General Electric, and General Motors, of spending that kind of money, that seed money, we'd call it. They'd have to feel that they have a chance of getting an immediate return on their investment.

World trade data reports is basically a financial statement on the company plus a critical difference, the embassy's statement as to their knowledge of this company's bona fides. In other words, a personal opinion by the commercial office as to whether this company is worth doing business with or are they crooks.

Now, one of the things that we do a lot of is international events, something similar to what we did here on the Hill.

This is an example of a booth sponsored and cosponsored by us and the State of New Jersey. Putting on trade shows, here's an example of farm and construction equipment. The U.S. Government knows of these events 2 years in advance. Most businesses have no idea 2 years in advance if that marketplace is going to be any good, if they are going to want to be in international trade in that marketplace.

We go in and take the risk. Rent the space 2 years in advance, advertise the show, and then recruit U.S. participants about 1 year in advance. We've taken the risk for American business, by going ahead and renting a large block of space and then subletting it at a much cheaper cost to the American business community.

Another opportunity—this is a poor slide, but it gives you an idea—a catalog show. You can't afford to send a big tractor over there, or your products, but you'd like a cheap entry into the marketplace, you can send us your catalogs, all within a specific industry, we take all of them over, travel them around a specific geographic region, with lots of advertising, and the local foreign business community comes in.

Here's an example of some industry sponsored catalog show. The National Machine Tool Builders Association is very active in international trade promotion among their constituents, made up of a lot of small- and medium-size businesses, if you're familiar with the machine tool industry in the United States.

This happens to be an example from the export adventure we had on the Hill, but I think the slide graphically represents the kind of thing that we do in the overseas marketplace.

The last area of the United States and Foreign Commercial Service I'd like to talk about this morning is the Caribbean Basin Information Center. The first major new piece of foreign policy legislation the Reagan administration passed was the Caribbean Basin Initiative.

It was a realization that our neighbors to the South are having severe economic problems. It was a realization that if they were

going to come out of these economic problems and we were going to have political stability in our strategic neighbors to the Caribbean and Central America, we had to do something different than we have done in the past, not the traditional check and handout of foreign aid.

The Caribbean Basin Initiative is an innovative program by the Congress, bipartisan support from the Congress and the administration, which says that increased economic prosperity is the highest probability of long-term economic success and political stability.

How is that program going to be a success? Basically, it's a one-way free trade zone into the United States for 12 years. It is an opportunity to import products into the United States from those potential 27 countries—only 20 are now currently certified and one, the Bahamas, has just come to the table, and we anticipate that happening within the next several months—21 countries will be eligible for CBI certification, and they will then be able to ship the majority of their products into the United States duty free.

The United States and Foreign Commercial Service, I have been asked to head the CBI implementation, to see to it that the business communities of the Caribbean and Central American countries and the business community of the United States make this program a success.

Now, why do I spend a few minutes on that here today? Because the success of the CBI is going to depend on small- and medium-size business in the United States. Basically, there is no big business in that part of the world. It is basically small- and medium-size business. And if you are going to make this program a success, you are going to have to do all the things that we've been trying to do for U.S. exporters, in reverse.

You're going to have to find agents and distributors in the United States, for Honduran or Dominican Republic products. You're going to have to help them get channels of distribution in the United States, joint venture partners.

The United States and Foreign Commercial Service, because of its unique role in the U.S. international trade picture, as I said earlier, the only U.S. Government agency that has both the foreign and the domestic field operations, is the office to bring buyer and seller together.

And because of that uniqueness, we've been asked to help implement the Caribbean Basin Initiative, and I think for small- and medium-size business in America, it has a tremendous opportunity to increase sales.

I, for example, needed some suppliers of various products that were not made in the United States, found a joint venture partner in that part of the world. They were important to my total sales, and I was important to their total sales.

If that company had made a deal with IBM, AT&T, General Electric, or Westinghouse, they would have been a blip on the screen, if they could have been found on the screen. With me, it was a long-term, meaningful relationship.

And if the Caribbean Basin is going to find economic prosperity, if it is going to find political stability, the small- and medium-size business community in the United States will play a very important role in the business relationships between that part of the

world and the United States, and we're delighted to try to help that program succeed in the United States today.

These are just pictures of the Caribbean Basin information starter kit. I think we have some copies to pass out to you today. The green ones are for American business, the blue ones are for business in the region. It explains how to get involved in the President's Caribbean Basin Initiative.

And I will use this last picture to say, this is an example. That baseball that I have in my hand was made in the Caribbean.

Now, you say, "Why should a U.S. Government agency be supporting imports into the United States, aside from the political ramifications of this part of the world?"

If we made that baseball in Taiwan, you would use Japanese leathers, Japanese tanning process. A baseball is basically yarn and a little bit of leather. You would be using Japanese yarns.

In Taiwan, you would use Taiwanese labor to do the sewing, and you would primarily be creating jobs only in the Asian and Japanese marketplace.

If you make that baseball in Haiti, you use American leather, you use American textiles, you use American yarn, you use Haitian labor, you've created jobs in America, you've created jobs in Haiti, you've created economic prosperity for both regions of the world, and you've increased the opportunity for political stability in an important area for the United States.

It is a mutually beneficial program to increase production and jobs in the Caribbean and Central America. And I think the President's program is an innovative one, an exciting one, and one we should all get behind. And, with that, I will say, in closing, that the United States and Foreign Commercial Service, last year, counseled directly over 1,100 firms.

We had over 5,000 seminars in the United States alone. Those seminars were on all aspects of international trade—export licensing, export trading companies, export finance, how to do business with China, how to do business with Mexico, et cetera. We had over 265,000 participants. Over 80 percent of those participants came from companies that had less than 250 employees.

The United States and Foreign Commercial Service is the home for small- and medium-size business when it comes to international trade. We are delighted to have a part in increasing what I call the export mentality in the American business community, something that I am sure that you agree with me, that it is a national priority that we do if we are going to be competitive in international trade and in the world marketplace. Thank you.

Mr. SKELTON. Mr. George, thank you so much for being with us. An excellent presentation, and we are pleased that the initiatives that you have undertaken sound so well done.

Is there any way to measure the success of your efforts, such as these trade shows, these seminars, et cetera, one way or the other?

Mr. GEORGE. The answer to that is yes and no, depending on how detailed and how exact you want to be. For example, you do a trade show in Dusseldorf. We can measure the sales off the floor, there's no question about that. That's a very simple and easy thing to do, assuming the cooperation of the business community, that they want to tell you what sales they made.

It gets a little more complicated when you say we made a contact, and now I've got a business card, and now I have to follow up, and it takes me 6 months to make the sale. We, obviously, can't follow that up.

So, we've given you a little bit of the information, but we don't have all the information, that's one.

Two, when we do our export counseling in the United States that results in an agent or distributor, or even results in a direct sale, I don't believe that you nor I want to create another form that American business has to fill out and send to the U.S. Government. And we don't get followup information.

Usually, the first sale in international trade is one of your smallest, and it's the ongoing relationship that compounds and grows, that creates the real increases in international trade. We have no way of measuring that.

So, are there ways to get concrete measurements? We have some, but we don't have sufficient and exact numbers, no.

Mr. SKELTON. The administration, as I understand it, has made a proposal or a cut of approximately $2 million in United States and Foreign Commercial Service, is that not correct?

Mr. GEORGE. Yes, sir; that is correct.

Mr. SKELTON. Will that affect your operation and make your operation less successful should that come to pass?

Mr. GEORGE. I would say that we're just going to have to work smarter with less.

Mr. SKELTON. It wouldn't hurt your feelings if Congress didn't go along with that, would it?

Mr. GEORGE. Whatever you all decide, in your wisdom, I am sure we will try our best to implement. Needless to say, the more places that we can increase the size of our staff and increase the professionalism of our staff, I think there is an opportunity to increase the effectiveness of the American business internationally.

Mr. SKELTON. You're the only thing that small business has. You're it. We're running this tremendous trade deficit, and to cut back in the one area where we can make gains doesn't make an awful lot of sense to me.

Mr. GEORGE. I will say this, the international trade deficit that the United States is experiencing today, when I tell some of my friends from west Texas who have a hard time understanding what the real role of Washington and government is—we're fairly conservative out in my part of the world—to tell them I'm from the Government and I'm here to help them, is not really a big sale.

Mr. SKELTON. It falls in the same category as "the check is in the mail."

Mr. GEORGE. You got it. The point that I try to bring out is that, actually, exports for the United States increased 9 percent, 1984 over 1983. We can be competitive. We can increase our sales. We can help small and medium business.

Don't get mesmerized by the evening news telling you that we have a huge trade deficit. That is a statement of fact, and I don't want to belittle it because it is an important issue facing the United States today, but there is a Government agency that is out there trying to help those companies that are competitive.

Mr. SKELTON. And that's your organization.

Mr. GEORGE. Yes, sir.

Mr. SKELTON. One last question. Does your service promote programs among agribusinesses? Do you have any relation to agribusiness within your operation?

Mr. GEORGE. Agribusiness is predominantly handled by the Department of Agriculture, or the very successful Foreign Agricultural Service, if it is a commodity. If it is a grain. If it's soybeans.

Mr. SKELTON. That's straight agriculture, I'm talking about agribusiness.

Mr. GEORGE. Now, if it is tractors, silos, fertilizers, chemicals, that would be us involved in the agro industry. If it is a pure agricultural product. Sometimes, I must admit, the line gets a little fuzzy.

They handle logs, we handle cut timber. We handle fish from salt water, they handle fish from fresh water. Some of the lines are a little blurred but, on the whole, in agro industry, which we feel, in LDC markets, has a tremendous potential. We are definitely out there helping, but not in the commodities themselves.

Mr. SKELTON. Thank you. Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman.

Mr. Director, that was an excellent presentation. Let me ask you about the 1,100 new-to-export companies. That number seems small. We've talked about 30,000 that ought to be exporting, that don't. It would take us a long time to get to them all going at 1,100 a year. What do you think we ought to do to improve that figure?

Mr. GEORGE. Well, now, let me make sure that I'm clear in my statement. The 1,100 were done domestically, by 200 employees. Domestically, in the United States, of the 1,300 United States and Foreign Commercial Service employees around the world, 700 of those are overseas; 500 of those 700 are foreign service nationals. In Germany, we hire Germans. In Japan, we hire Japanese. So, basically, we have less than 200 authorized U.S. officers overseas. Domestically, we have 460-some-odd people in the domestic operations, of which 263 are what you would call trade professionals.

We also have the commercial libraries, clerical, research and staff support, 260-some-odd domestic trade professionals, or trade specialists. We helped 1,100 firms last year get into international trade.

Now, we had over 5,000 seminars and 265,000 people showed up at those seminars. So, the numbers can be broader than that. The 1,100 are companies that we got into international trade for the first time.

Yes, I think there can be—there should be—programs of the U.S. Government that are more innovative and more supportive of international trade.

We, basically, are a country that, until probably the last 3 or 4 years, have not really taken international trade seriously. And there's more damage done to international trade in the 19th hole of the country club and the tennis court than probably anywhere else in America because all you have to do is go down there and hear about how Frank sent a product to Latin America, and then they established exchange controls and he didn't get paid, and you're small businessmen and you say, "Wait a minute, I'm not going to get involved in that, the risks are too high."

Or you listen to the evening news and you hear about an incident regarding an export license, that this guy made a sale to China in high tech, which is the area that we're really competitive in in the world marketplace, and he couldn't get a license for 9 months and lost the sale.

These kinds of things do more damage to the small- and medium-size business getting into international business than all the hustling that I can do because it's the fear that prevents someone in small business from—let me just give you a quick example.

I had a company. We were in the manufacturing business. We wanted to expand our sales. It was in Dallas, TX. We chose to expand into New York City because it was within the United States, spoke in common language, no tariffs between States, et cetera.

Mr. IRELAND. They don't speak the same language in New York as they do in Dallas, you know that.

Mr. GEORGE. I realize there are some accent problems, but it's the same language.

We chose New York City over Mexico. In fact, it took me 2½ years to get into Mexico. I made more profit in Mexico. It was an overnight drive to Monterey as opposed to 2 to New York City. I made higher profits in Mexico than I did in New York City, but I went to New York City first because I was afraid to cross that international frontier. Separate language, different culture, export licensing problems. I just didn't want to get involved in international trade when I could go right to New York City. And actually it cost me more money to do business in New York than it did in Mexico, and I think that is a telling example, an anecdotal evidence of what is affecting small- and medium-size business in trying to get into international trade. There's a fear.

Mr. IRELAND. Once they make that step across to Monterey, how many of them stick with it?

Mr. GEORGE. Well, assuming that the country they are doing business in doesn't establish exchange controls like Mexico did 2½ years ago, we lost a lot of small- and medium-size businesses in international trade because of that event, very sincerely.

There were a lot of people who thought, "We'll inch into this business, and since it is only across that land line, that river, we will try it in Mexico." That was a very fast and growing economy, and they got burned severely. We lost a lot of small- and medium-size business because when you decide to ship to Asia, which is the growth market in the world today in international trade, and the place of greatest opportunity right at the moment, it's a heck of a distance you know, a day over there, 12-hour time zone change on your body, there are all kinds of psychological problems. We have traditionally found that if we find somebody getting into international trade, getting their toe in the water, there is a continued expansion until there is a major disruption, if they are only in one market. If they are in multiple markets, we find them continuing on and expanding, and just moving to where the business is growing.

Mr. IRELAND. Thank you.

Mr. SKELTON. Thank you. In the order of appearance, we will call upon the gentleman, Mr. Dreier.

Mr. DREIER. Thank you very much, Mr. Chairman. I compliment you on calling these hearings.

Mr. George, what would the trade deficit be if it weren't for your efforts?

Mr. GEORGE. I must admit to you that I have no idea. I would not want to be held accountable for the trade deficit. Why? Because I am not going to take responsibility for: (A) The decision whether the Turks buy Airbus or Boeing based on our Greek and Turk policy, or whether the Argentines buy a U.S. turbine or a Russian turbine because the Russians are buying their wheat.

Those big ticket items so far overshadow all the work we do with small- and medium-size business in America.

(B) The trade deficit, in my opinion, and I think this is supported, is in a large measure due to the U.S. economic recovery and a huge increase in imports.

I'm not going to deny that we would like to do more exporting but, as I said earlier, exports are up 9 percent, 1984 over 1983. If we were to shut down some of the importing into the United States, the trade deficit would have a dramatic effect.

The value of the dollar is obviously out of whack. The marketplace for our products overseas are still in their recession. They are just now coming out. We have had a tremendous problem there.

I don't know what the trade deficit would be if we weren't in the business but, more importantly, where would we be positioned, as a nation, with those 99 percent of the American business community that is not involved in international trade when the value of the dollar recovers, when the marketplace for U.S. goods and services in those markets when their economic recovery starts, if we weren't out there increasing the export mentality in the U.S. business community.

Mr. DREIER. I've just been told by staff that you have about 1,200 people working in your particular department?

Mr. GEORGE. Yes, sir.

Mr. DREIER. The Small Business Administration, according to your testimony, has 17 working on international trade. In international trade, you have 1,200, they have 17. Are they duplicating any of your services?

Mr. GEORGE. Yes. The only thing that we provide to the American business community is knowledge of the marketplace, is a professional counseling capability.

We do not have any financial, insurance, guarantees, any kind of programmatic moneys. We have never been given any of those moneys. All of that money has been given to SBA, OPIC, Exim, or AID.

We, on the other hand, are the only people who spend their full time out there trying to inform the U.S. business community on how to get involved in international trade.

So, if SBA or AID gets involved in the counselling of small- and medium-size business, they are duplicating our efforts. If they get involved in trade missions, or trade shows, or supporting those activities, they are duplicating our——

Mr. DREIER. Are they involved in those areas?

Mr. GEORGE. Yes, sir.

Mr. DREIER. Do you think that consolidating OPIC, Exim, AID, SBA efforts into your operation would be beneficial? The reason I ask that is that there seems to be this overall perception that the Department of Commerce has a sole interest of nothing but big business, and you've just taken the wind out of that sail with your testimony here today.

Mr. GEORGE. Well, I would say to you—I'm going to give you a two-part answer, and I'm not trying to hedge.

I think the more people involved in international trade promotion in the United States, in trying to develop an export mentality in the small- and medium-size business community of America, is vitally important.

I don't think my 1,300 people can get to enough people. Now, what the trick is——

Mr. DREIER. You don't support consolidation then? You know, last year, we appropriated $1 million in this Congress for the Tennessee Valley Authority to encourage exports. So, are you saying then you do not support——

Mr. GEORGE. No; the last part of that comment was, the trick is coordinating the various agencies that are involved and say, "Look, let's avoid the conflicts. Let's avoid the duplication, and maximize the opportunities to go down the road together."

It is not helpful for a regional director of the SBA to send out a letter and say "Now we have a program, that we don't have to turn our clients over to Commerce." Those kinds of things have to be avoided, you're right, but as many people as we can get involved, I'm encouraging everybody to get involved in international trade promotion.

I'm not ducking your answer. I'm not going to sit here, as part of the administration, and say we ought to dismantle some other organization that I'm not involved in. I don't think I should do that.

I will say there are probably more efficient ways to increase the export mentality of the American business community than what we are currently doing.

Mr. DREIER. Thank you, Mr. Chairman.

Mr. SKELTON. Mr. Gallo.

Mr. GALLO. Thank you, Mr. Chairman, and I'd also like to thank you, Mr. George, for an excellent report. I think that your statement on the importance of small business entering the export area is vital.

I'm from New Jersey, and we have made some significant efforts in trying to bring about such understanding. Although there is a definite fear within the business community, a fear of the unknown. Not knowing how to go about it. Ming Hsu is the director of international trade of New Jersey.

Mr. GEORGE. I know Ming Hsu very well. I was just with her in Jamaica, as a matter of fact, with the Governors' Trade Mission.

Mr. GALLO. Well, she's doing a superb job, and obviously utilizes your operation considerably.

Mr. GEORGE. Yes, sir.

Mr. GALLO. We have our trade office and a branch office in Newark, which is——

Mr. GEORGE. The State does.

Mr. GALLO. That's right, the State—which is probably within a 25-mile radius of 50 percent of the businesses that might export, and yet we have your office in the State of New Jersey located in Trenton.

The question I pose is, when locating these offices, is there a detailed study done to see where you are going to be getting the most exposure? It would seem to me, in my discussions with my State administration, there is a concern—I know that office has been there for a few years—but there has been a continual effort, as I understand it, to move that office into the Newark area, which would complement our own office. Is there a study when you go into an area on where you're going to locate an office? How is that consideration made?

Mr. GEORGE. The answer to your question directly is, yes, sir. In particular with reference to the New Jersey situation, the office was moved 3 years ago, and I was not involved in that. I was not responsible for the domestic operations until 2 years ago. At that time, it was under literally another Assistant Secretary, another Deputy Assistant Secretary, when it was called the U.S. Commercial Service.

The foreign and domestic operations in international trade were not only not in one agency, one was in the Department of State and one was in the Department of Commerce up until the Trade Reorganization Act of 1979, but even after that it was in two parts of the Department of Commerce until 1982.

The movement of the office from Newark where it was to Trenton was decided in the previous administration, and took effect 3 years ago.

There was an evaluation made at the time, and it was the decision of my predecessors that it would be a more effective location for the growth, high tech growth area in the State.

Now, I must admit to you that there's probably a no more contentious move made by the domestic operations than that particular one.

When I referenced the movement of our offices internationally, and moving out of certain countries, closing operations in seven countries, and moving out it created, I would say, a small furor, especially with the State Department and some governments that we were removing our commercial activity. They were trying to make a political statement out of it, that we were downgrading our commercial relationships, or whatever.

Whatever the case, I think my decision was the right one, to try and help small- and medium-size business and do a quality job.

On the flip side, in trying to move people around our domestic operations, it's been almost impossible because there's not an office that doesn't have two Senators and one or more Congressmen that don't want to see that happen.

I have a GAO report that says we are definitely understaffed in Houston, that we are not adequately meeting the market demand with the number of people that we have. We have to get more people in there.

The choice I have is, with a finite set of resources, is move somebody out of another city—out of Philadelphia, out of Miami, or out of Trenton—I mean, hypothetically—and I haven't found anybody

willing to sacrifice that body to help to meet my requirement under the GAO report.

So, I'm saying to you directly to your question, we have evaluated, not only internationally but domestically, the marketplace. We feel that the universe is too broad to be all things to all people, and we are concentrating our efforts right now in trying to provide a quality product to the high potential, those companies that have a high probability of being successful in international trade.

And it was the decision of my predecessors that there was the growth in New Jersey—and you know the State infinitely better than I, and I'm not here to question your opinion on the State, I'm just commenting on the files that I have read on the New Jersey situation—that the growth high tech area was down in quarter one; that the largest office we have in the United States is in New York City, the walk-in trade, et cetera, et cetera, there was a complete analysis of the kinds of people we do business with, the walk-in business, et cetera, and the decision was made 3 years ago to move it to Trenton.

Mr. GALLO. If, in fact, the evaluations that were made by your predecessor indicated that this move was advisable, I can tell you that maybe some of those decisions that were made by your predecessor should be reevaluated because, in this particular case, I think we have a State delegation that is solidly behind a move to Newark. Ming Hsu, who is in charge of the State trade effort, is located in Newark.

We do have our Department of Commerce located in Trenton, but if Ming Hsu and the administration felt that that's where they should be as far as trade, if that's where the energies were going to generate the most in opportunity, then they would be there also.

Mr. GEORGE. Let me do this. Let me just assure you that I, personally, will reevaluate the situation and get in touch with your office and discuss my findings on the situation, after a complete review, whether to stay or to move.

Mr. GALLO. I appreciate it. Thank you.

Mr. GEORGE. My pleasure.

Mr. SKELTON. Thank you. Mr. Coble.

Mr. COBLE. Thank you, Mr. Chairman.

I just want to expand upon the question Mr. Dreier put to Mr. George that concerns, the areas of possible duplication or overlapping between the SBA and Commerce. I don't think we should gloss over this and if, in fact, there are areas where duplicative matters are being discharged, I think we need to look at that very deliberately and very thoroughly in an effort to save the taxpayer's money. Thank you, Mr. Chairman.

Mr. SKELTON. Thank you. Mr. Robinson.

Mr. ROBINSON. Mr. Chairman, I apologize for being late today. And, Mr. George, thank you for coming, and I will read your testimony. I have no questions at this time, but I would like to have the opportunity, if I do, to call you directly on it.

Mr. GEORGE. Please do, and I would like to extend that to all members of the subcommittee. The United States and Foreign Commercial Service, with me as the Director General, I like to think of us as a service company. I like to try to run the United

States and Foreign Commercial Service as if I was in the private sector running a service company.

We have only one reason to exist, and that is to respond to the needs of the U.S. business community. And whenever we forget that, we don't have a legitimate reason to exist. I think that if I don't do anything else, it is to inculcate, if you would, a corporate culture in the United States and Foreign Commercial Service, of service, of exactly what's in our name.

So, anytime that any of you on the subcommittee have any questions involving the role of the United States and Foreign Commercial Service, how we can help your constituents increase their sales in international trade, I want you to feel assured that I, personally, and our staff stand ready to do whatever we need to do to help your businesses.

The biggest problem I face in running the United States and Foreign Commercial Service is a lack of awareness by the Hill, by your colleagues, by the White House——

Mr. ROBINSON. Is this the first time you've ever been to a hearing?

Mr. GEORGE. The first time I've been to a hearing before this subcommittee. One other time, in the 3½ years that I've been here, I was asked to testify on another issue, on States supporting export international trade and the American business community's lack of awareness.

When I look at our client base, I find that we have a high repeat clientele. If you were in the private sector, you would say you have a high repeat business, but you have a very narrow customer base.

I give over 100 speeches a year, and there's not one that I give that somebody doesn't walk up and say, "We didn't even know the United States Government had these services." And helping us get the word out, to spread the word about the U.S. Government's support for small- and medium-size business in international trade, you could not do a greater service to your constituents and to the United States and Foreign Commercial Service.

Mr. ROBINSON. Well, I'm going to give you the opportunity to come to Arkansas, Little Rock specifically, and help me out and to sell your message. Thank you very much for being here.

Mr. GEORGE. Thank you.

Mr. SKELTON. Thank you. I believe Mr. Ireland has one more question.

Mr. IRELAND. Very quickly, Mr. George, you have 1,200 employees. How many employees are there in the whole Department of Commerce?

Mr. GEORGE. 1,300.

Mr. IRELAND. 1,300 you have. How many in the entire Department of Commerce?

Mr. GEORGE. In the Department of Commerce? I don't know. 30,000. I don't know the answer. You've got NOAA, Census, and a whole bunch of things. In ITA, the International Trade Administration, there are about 2,600. We make up about 60 percent of ITA. Of all the Department of Commerce, it has to be 30,000 employees in all the Department of Commerce. We're a very small part.

Mr. IRELAND. How does the United States and Foreign Commercial Service fit in in the conduct of all the business of the Department of Commerce? In other words, do you and the Secretary meet for breakfast every morning? How does that work out?

Mr. GEORGE. No, we don't meet for breakfast every morning, although I will say that Mac Baldrige has an understanding of international trade, coming from Scoville Corp., and being very successful in the private sector before joining the administration, and whereas he relies on the Director General, and in this tenure, me, to run the trade promotion aspects of the U.S. Government. He is very, very much involved in the trade policy aspects with the Under Secretary, in helping, trying to negotiate and knock down trade barriers and problems for American business internationally.

He did more to help the United States and Foreign Commercial Service, I think, when OMB decided that this was a waste of the taxpayers' money and should have a budget reduction back in 1982, when he very forcefully defended the role of the U.S. Government in supporting small- and medium-size business and export promotion. There was a rather famous quote in the Washington Post when he said:

> I didn't come to see trade promotion dismantled, and it's not something you take apart on your living room floor like a tinker toy, it takes long, patient deliberation and developing a cadre of professional people, et cetera.

Mac Baldrige has stood four-square in support of the United States and Foreign Commercial Service and in trade promotion in specifically helping those companies that are not involved in international trade today.

No, we do not have breakfast every day, but I know that—I feel confident that he is concerned about the quality of the United States and Foreign Commercial Service.

Mr. IRELAND. I know of his enthusiasm and, of course, of yours. How does that translate into the day-to-day activity? Quite frankly, in this current dialog about the SBA, the thing that concerns me the most is taking something like the Small Business Administration and dumping it in the Commerce Department to disappear among those 30,000 people. As much as I know the kind of work that you personally do and I know how Mac feels about it, small business might disappear down there.

Mr. GEORGE. As you well know, Mac Baldrige has gone on record fairly strongly as regards his feeling of how the trade development and trade promotion and international trade policy of the United States ought to be organized with his Department of International Trade in Industry, and the belief that NOAA and a lot of these large numbers of bodies did not need to clutter up and confuse the issue in international trade.

So, the Secretary has been one of the leaders in this administration, in pushing in that direction and, unfortunately, didn't meet with success, and then the President's recent decision not to push that issue at this time in front of the Congress.

International trade promotion is vital, it is just not sexy, and trade policy and the negotiations do occupy a higher percentage of the time of the high ranking members of the Department of Commerce, but I'm not so sure that's not the way it ought to be.

They are aware. They support when we need them. They leave it up to me to make sure that the U.S. business community is out getting the word. I admit to you that I don't think we could ever get enough support, enough Congressmen, enough Senators, the President, the Vice President, the Secretary—as far as I'm concerned, they could all line up anytime, and I'll be there to cheer them on.

Mr. IRELAND. Thank you.

Mr. SKELTON. Thank you so much, and we, needless to say, wish you well in your work, and we hope that the efforts of this subcommittee will be of assistance in helping those goals, our mutual goals be met, and your particular goals of your service. Thank you again.

Mr. GEORGE. Thank you.

Mr. SKELTON. Our next witness is Dr. Walter Supina, who is the executive vice president of Supelco, Inc., Bellefonte, PA. Dr. Supina, we thank you so much for joining us.

TESTIMONY OF DR. WALTER R. SUPINA, EXECUTIVE VICE PRESIDENT, SUPELCO, INC., BELLEFONTE, PA

Dr. SUPINA. Thank you very much, Mr. Chairman.

I've been asked to comment on how Commerce has helped us, and I haven't kept a log on this, but if you think about the stores that you patronize and compare it to the ones that you don't go back to, you may not have a specific example, but there have been a lot of little things over the time that made you keep going back.

And maybe Mr. George's comment about the repeat business and the narrow focus, well, we are part of the repeat.

One of the most important things to a small company just getting started in I guess any type of new venture, whether it is international trade or anything, when you need some help, is not getting a runaround by a disinterested clerk who tells you, "This is the wrong office. You need to call so-and-so." I can say that in all of our experience with Commerce, the information part really has been a very important factor for us. We didn't feel like we were getting a runaround.

Many of these things that Mr. George mentioned, the timid approach to a new venture, the fastest way for somebody who is timid about something to back off is to run up against a bureaucratic maze of things, and you quickly turn around and go back.

So, I think the ease of access to the people who are helpful has been a very important thing, but there was something that I found very striking. Here was a Government office that made sales calls. Gee, they had a product to sell and they were trying to make a sale on us, and we were very sensitive to this type of thing.

We are not from a big city, and we are very sensitive when people make a trip all the way out to see us, so this was very impressive to us. The only other time we received Government calls were when people came to inspect us.

We've had situations where the FDA came in and we said, "Why are you here?" "Well, we're just here to see whether you fall under our jurisdiction."

That's nice, and it's pleasant to have somebody really coming to help, for a change. Well, some of the kinds of things that we found useful, we were in a quandary about export regulations. I mean,

they are massive, two big volumes, and if you know absolutely nothing about this and you are the vice president in charge of export and cleaning the john, too, this—it's a pretty formidable task.

And we found that if we called there, we were guided and we were told in plain language some of the things we needed to know, and this we found very helpful.

We've used the country desks. This, on several examples, either encouraged us or discouraged us from going into certain areas. This is important for a small business, too. I think maybe some of the bigger businesses might pay attention to things that they shouldn't get into, but it's more of a problem for a small business, so there are some places that you just can't afford to go. There's no market for your product, or something like that, and the advice you can get from a country desk has been very helpful.

The overseas exhibits, the first time you make that trip overseas, whether as a tourist or as a businessman, that's quite a shock. And to try to do something like this, to go to one of the very large international fairs, to do this on your own and to have to deal with the freight forwarders and the tariff barriers and all of these things, we would have delayed that type of thing for a number of years if it hadn't been for the assistance of the Commerce-sponsored trade shows. This has been a very, very helpful thing.

It's not the dollar saving and the cost of the exhibit space, it's having somebody who knows the ropes, who can give you the little informal tips and the kinds of things, and the advice on the travel, and the accommodations, and the shipping problems and all of this. There are documents we never heard of, and we were slowly and carefully educated along these things as we participated in more and more of these exhibitions.

Some of these activities, or parts, we haven't taken advantage of. We have a network of dealers very early, through personal contact, but the dealers really aren't going to try to sell your product unless there is a demand for it.

And so we use the exhibits to get out and make our products known to the people, to start creating the pull. The dealers, the people aren't going to accept your product if there isn't a local supply.

So, although we didn't need to find the dealer network, we needed to have the mechanism for entering, promoting our products within the countries, and this was a very educational process for us.

I think these are some of the observations I've made about how Commerce has helped us, and I'll be glad to answer any questions.

Mr. SKELTON. Mr. Ireland.

Mr. IRELAND. Thank you, Mr. Chairman.

Would you tell us, Doctor, what kind of a product this is?

Dr. SUPINA. We are into laboratory chemicals which are largely used to analyze other chemicals. So, we're into the very small quantity, bordering on the high tech area, of analytical chemistry.

Mr. IRELAND. Is it organic?

Dr. SUPINA. Largely, organic; specifically, the field of chromatography. Our chemicals are used with instruments which are manu-

factured by companies like Hewlett-Packard, and so on. They supply the razor, and we supply the blade.

Mr. IRELAND. And how long ago did you start deciding you were going to export?

Dr. SUPINA. Well, the company started in 1966 in a garage, and I guess in about 1968 we were exporting, but on a very modest scale. Our exports are up to approximately $4 million a year now.

Mr. IRELAND. That's what percentage of your business?

Dr. SUPINA. It's about 20 percent of the business. It has a potential of 50 percent, and we're working on that.

Mr. IRELAND. Thank you very much.

Mr. SKELTON. Mr. Cobey.

Mr. COBEY. No questions.

Mr. SKELTON. Let me ask you, were you to give a grade to the United States and Foreign Commercial Service, how would you grade them?

Dr. SUPINA. Well, it depends—in school, some of the teachers marked on a curve. And if I were grading it on a curve on all governmental services, I'd say I'd give it an A. If I were ranking it on commercial competitive services, maybe a B.

I think the important thing there has been the real effort to sell.

Mr. SKELTON. Were you to find fault with them, what would their weakness be?

Dr. SUPINA. I think the biggest weakness is maybe a little too much encouragement for situations where a company has no business getting involved in export, and this has to do with the salesman selling a product when it is not needed. So, a little bit more knowledge of a customer before you sell the product.

There might be situations where you just can't justify a particular type of trade show, that the market in that country just is not appropriate at that time for your company, and so possibly a little bit more evaluation there, but if you are talking about a limited staff, I can see where that might be a problem.

The other area that I would maybe have a little bit of reservation on, I believe that the people that we have dealt with in the domestic service have been really fantastic. We've had many good meetings overseas with people, but I can't say that all of the overseas contacts were good. In some cases, I felt that we were being put up with.

Mr. SKELTON. Thank you. Mr. Lynch, do you have a question?

Mr. LYNCH. Thank you, Mr. Chairman. On licensing, you have had, from time to time, to acquire a license, haven't you?

Dr. SUPINA. No, our products generally are under general license, and our average size order in the United States is $250, so the kinds of materials are not of a strategic nature, or anything like that.

Mr. LYNCH. So, you haven't run into any licensing problems?

Dr. SUPINA. No licensing problems.

Mr. LYNCH. Thank you.

Mr. SKELTON. Mr. Orban.

Mr. ORBAN. Yes. Dr. Supina, there was a time when you, as a small business, were contemplating getting into the international export field. You've been through the process now, can you look back and tell us what your biggest impediment turned out to be?

Dr. SUPINA. Well, I think that the biggest impediment, really, is not knowing the opportunity. The typical American small businessman doesn't realize how much business is out there, and with his day-to-day problems, he's not going to run into it.

The plea that Mr. George made about broadening the base, I can see the need for this. Personally, I would like to see more organization of—not organization, but more contact with other companies because we realize that the Government has limited resources, and if Commerce—and Commerce is doing this through some big brother approaches—to find out what other companies are doing, who can sort of lead the way.

So, I think that if the smaller companies knew how much business was out there and knew some practical ways of penetrating the market without having to undertake a major financial burden, it's there.

Mr. ORBAN. Thank you.

Mr. SKELTON. Mr. Supina, this is exactly what Congressman Ireland and I have been saying literally for years, and you are confirming our thoughts for some time. Mr. Ireland.

Mr. IRELAND. Let me ask one further question. Was the need for financing an important part of your decision to export?

Dr. SUPINA. Pardon me?

Mr. IRELAND. The need for financing, as you exported, did you finance your exports internally? Did you need any financing and, if so, who did you turn to?

Dr. SUPINA. I'm afraid that maybe we were a little naive and didn't realize there was all this money available because nobody ever came around to us with any of it.

When we went to our banks and inquired about various types of financing, we weren't minorities, we weren't on welfare, we were on a prosperous island in the middle of Appalachia. If we had been willing to move 30 miles, there was all kinds of financing, but where we were located, we were a prosperous area even though we were on a dirt floor, and our bankers told us, "You better hustle your butts."

Mr. IRELAND. I think I was referring not so much to the financing for the destitute, as you referred to, in that, as I was to the facets of international trade financing—letters of credit, political insurance, that type of thing.

Dr. SUPINA. Well, we've continuously explored the business about credit insurance and things of that nature, and the problem is that our typical order, even an export order when we are exporting to a dealer or something like that, might be $1 or $2,000. If we are exporting directly to customers in South America, we might get up to $2 or $3,000, but there are many that fall less, and nobody wants to talk about financing a lot of repeat little things like that.

Mr. IRELAND. Thank you.

Mr. SKELTON. If there are no further questions, Dr. Supina, I do appreciate your being with us and sharing your excellent success in the work that the United States and Foreign Commercial Service has done.

You confirm what we think. We know the job ahead of us and, hopefully, we can have many success stories such as yours in the days ahead. Many, many thanks for being with us.

Dr. SUPINA. Thank you very much.

Mr. SKELTON. The hearing is adjourned.

[Whereupon, the subcommittee adjourned, to reconvene subject to call of the Chair.]

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